

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

April 30, 2003



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Jerry E. Abramson, Mayor, Louisville-Jefferson County Metro Government
Honorable Ken Herndon, Jefferson County Judge/Executive
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville Metro Government

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Jefferson County Sheriff's Settlement - 2002 Taxes as of April 30, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Jefferson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
JEFFERSON COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

April 30, 2003

Carpenter, Mountjoy & Bressler, PSC, has completed the audit of the Sheriff's Settlement - 2002 Taxes for Jefferson County Sheriff as of April 30, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$378,707,658 for the districts for 2002 taxes, retaining commissions of \$8,935,453 to operate the Sheriff's office. The Sheriff distributed taxes of \$368,552,638 to the districts for 2002 Taxes and paid prior year refunds in the amount of \$1,218,531. Taxes of \$1,586 are due to the districts from the Sheriff and refunds of \$550 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

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Independent Auditor's Report

We have audited the Jefferson County Sheriff's Settlement - 2002 Taxes as of April 30, 2003. This tax settlement is the responsibility of the Jefferson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Jefferson County Sheriff's taxes charged, credited, and paid as of April 30, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jerry Abramson, Mayor
Honorable Ken Herndon, Jefferson County Judge/Executive
Honorable John E. Aubrey, Jefferson County Sheriff
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In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
October 15, 2003

JEFFERSON COUNTY
JOHN E. AUBREY, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

April 30, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 45,943,685	\$ 25,032,086	\$ 203,775,193	\$ 48,456,231
Tangible Personal Property	3,318,633	2,671,346	21,891,672	13,430,588
Intangible Personal Property				11,623,319
Taxes Increased Through				
Erroneous Assessments	109,165	191,139	955,013	239,718
Franchise Corporation	2,728,757	813,141	9,988,421	
Distilled Spirits Taxes	170,110		586,163	
Additional Billings	103,234	61,582	351,189	430,370
Limestone, Sand, and Mineral Reserves	254		1,137	268
Bank Franchises	2,876,545			
Penalties	190,898	90,454	844,640	227,387
Gross Chargeable to Sheriff	<u>\$ 55,441,281</u>	<u>\$ 28,859,748</u>	<u>\$ 238,393,428</u>	<u>\$ 74,407,881</u>
<u>Credits</u>				
Exonerations	\$ 118,702	\$ 83,823	\$ 1,079,133	\$ 1,056,336
Discounts	899,040	487,024	3,891,150	1,272,705
Delinquents:				
Real Estate	1,144,498	455,087	5,091,264	1,209,765
Tangible Personal Property	75,230	41,794	449,870	237,270
Intangible Personal Property				346,082
Uncollected Franchise	100,780	6,516	348,611	
Total Credits	<u>\$ 2,338,250</u>	<u>\$ 1,074,244</u>	<u>\$ 10,860,028</u>	<u>\$ 4,122,158</u>
Taxes Collected	\$ 53,103,031	\$ 27,785,504	\$ 227,533,400	\$ 70,285,723
Less: Commissions *	<u>2,257,166</u>	<u>277,855</u>	<u>3,413,001</u>	<u>2,987,431</u>
Taxes Due	\$ 50,845,865	\$ 27,507,649	\$ 224,120,399	\$ 67,298,292
Taxes Paid	50,771,775	27,417,265	223,248,416	67,115,182
Prior Year Refunds	<u>72,504</u>	<u>90,384</u>	<u>871,983</u>	<u>183,660</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 1,586</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (550)</u>

* See Page 4

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES
April 30, 2003
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	123,378,754
1.5% on	\$	227,533,400
1% on	\$	27,785,504

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 30, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

JEFFERSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 30, 2003
 (Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 12, 2002 through April 30, 2003.

Note 4. Interest Income

The Jefferson County Sheriff earned \$170,836 as interest income on 2002 taxes. The Sheriff did not distribute interest to the school district since all appropriate tax collections are remitted to the school district on a daily basis. All interest earned was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Jefferson County Sheriff collected \$1,093,879 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Jefferson County Sheriff collected \$38,726 of advertising costs and \$17,610 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 7. Tax Account Surplus

The Sheriff's tax account surplus totaled \$996,367 at April 30, 2003, and consisted of the following:

1996 Tax year surplus	\$	330,318
1997 Tax year surplus		147,968
1998 Tax year surplus		114,879
1999 Tax year surplus		161,290
2000 Tax year surplus		130,714
2001 Tax year surplus		13,814
2002 Tax year surplus		97,384
		<hr/>
	\$	<u>996,367</u>

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Jefferson County Sheriff's Settlement - 2002 Taxes as of April 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's Settlement - 2002 Taxes as of April 30, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

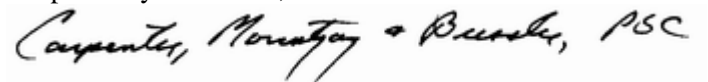
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
October 15, 2003

